



CONGRESSIONAL BUDGET OFFICE  
U.S. CONGRESS  
WASHINGTON, DC 20515

Dan L. Crippen  
Director

November 10, 1999

Honorable Bob Goodlatte  
U.S. House of Representatives  
Washington, DC 20515

Dear Congressman:

At your request, CBO has prepared an estimate of a proposed amendment to H.R. 1554, the Satellite Home Viewers Improvements Act. The amendment would establish a loan guarantee program for certain companies to provide local television service to areas of the country that do not receive local television stations from satellite companies. The amendment has been adopted as title II of the conference report on H.R. 1554, which was approved by the House of Representatives on November 9, 1999. The provision would authorize the appropriation of the amounts necessary for the costs of the loan guarantees and for associated administrative expenses. The Secretary of Agriculture's authority to guarantee loans would be contingent upon future appropriation action and would expire on December 31, 2006.

The amendment would authorize federal loan guarantees to qualified borrowers, totaling up to \$1.25 billion. A guarantee could be issued only if the National Telecommunications and Information Administration certifies compliance with various conditions. Under the amendment, all guaranteed loans must be \$100 million or less except that one loan could be as much as \$625 million. All of the loans would have to be payable in full within the lesser of 25 years or the useful life of the assets purchased with the guaranteed loan. Finally, the amendment would provide the Secretary of Agriculture with broad authority to modify the terms and conditions of loans made under this amendment.

Under procedures established by the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the estimated long-term cost to the government, calculated on a net present value basis (excluding administrative costs). We estimate that the loan guarantees provided under the amendment would cost about 28 percent of the total amount guaranteed—or \$350 million,

subject to the availability of appropriated funds. The amendment would authorize the Secretary of Agriculture to charge fees, which could offset some of the subsidy or administrative costs, but this estimate assumes no fees would be charged.

To prepare this estimate, we consulted with industry experts and investment analysts, and examined the credit ratings of firms in the satellite television industry. However, we made no assumptions about the participation of specific companies. Assuming appropriation of the necessary amounts, we estimate that implementing this amendment would cost about \$350 million for subsidy costs over the 2001-2002 period. In addition, CBO estimates that administering the program would cost about \$5 million in 2000 and about \$2 million in each subsequent year. The estimated costs are shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
<b>SPENDING SUBJECT TO APPROPRIATION</b>					
Estimated Authorization Level	5	352	2	2	2
Estimated Outlays	5	230	124	2	2

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Hadley and Kathleen Gramp.

Sincerely,

Dan L. Crippen  
Director

cc: Honorable Tom Bliley  
Chairman  
House Committee on Commerce

Honorable Bob Goodlatte

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Honorable John D. Dingell  
Ranking Minority Member

Honorable John McCain  
Chairman  
Senate Committee on Commerce, Science,  
and Transportation

Honorable Ernest F. Hollings  
Ranking Democrat

Honorable Henry J. Hyde  
Chairman  
House Committee on the Judiciary

Honorable John Conyers Jr.  
Ranking Democratic Member

Honorable Orrin G. Hatch  
Chairman  
Senate Committee on the Judiciary

Honorable Patrick J. Leahy  
Ranking Minority Member